

Title: Pediatric Accountable Care Organization Demonstration Project

Section: 2706

State Option

Overview: Section 2706 of the Patient Protection and Affordable Care Act (ACA) authorizes states to establish a program in which pediatric medical providers that meet specified requirements may be recognized as Accountable Care Organizations (ACO) and receive incentive payments under Medicaid. ACOs are groups of providers who manage and coordinate care for their patients.

These providers are held accountable for their performance through modifications in the traditional Medicaid reimbursement system. In addition to paying providers on a fee-for-service basis, providers may be eligible to receive shared savings payments for reducing costs without sacrificing the quality of care provided to their patients. Financial incentives are paid to ACOs for good performance based on specific quality and cost metrics. Providers that wish to form an ACO must enter into an agreement with the State to participate in the project for a minimum of three years.

There are three essential characteristics of ACOs:

1. The ability to provide a continuum of care across different institutional settings, including but not limited to ambulatory and inpatient hospital care;
2. The capability of prospectively planning budgets and resource needs; and
3. Sufficient size to support comprehensive, valid, and reliable performance measurement.

Targeted Populations: To be eligible for this demonstration project, an ACO must have at least 5,000 pediatric recipients assigned to it. These patients must be Medicaid recipients under the age of 21 or Nevada Check Up members who may have chronic conditions or are in need of care coordination. This minimum threshold criterion would likely require several pediatric medical providers in Nevada to join together under an ACO model in order to be eligible to participate under this grant opportunity.

An ACO must have an adequate number of primary care professionals to ensure all patients under the care of the ACO are able to access necessary services. In addition, collaboration would be needed across different provider groups, including pediatric specialists, family practice physicians, and hospitals.

Fiscal Impact: It is not yet clear what the fiscal impact may be on Nevada. While it appears that Nevada would need to contribute to the program at the State's regular FMAP rate, cost savings must be demonstrated for both Medicaid and CHIP, which would benefit the State.

An ACO must provide a minimum level of cost savings under the Medicaid and CHIP programs, as established by the State with input from U.S. Department of Health and Human Services (HHS). To qualify for an incentive payment, an ACO must meet or surpass the performance guidelines and pre-determined savings levels. The incentive payment would be a percentage of the savings. HHS may cap the incentive payments that an ACO can receive in a year.

Applicability to Nevada: This program could help Nevada Medicaid begin the process of reforming the current payment and delivery system by rewarding health professionals for providing higher quality, cost-effective care. This approach not only incentivizes providers for meeting quality and cost standards, but it also offers Medicaid the opportunity to contain costs across a number of specialties and services. In addition, patient health outcomes could be improved, potentially leading to a reduction in inpatient admissions.

However, before proceeding with this demonstration project, Nevada must determine if it has sufficient resources to modify the existing health care delivery and provider payment system. An ACO model requires a strong commitment from the provider community, as physicians must be willing to collaborate more closely with each other on the care that they provide to their shared patients. They must also be willing to put fees at risk.